



News and Notes

January 2015

A Progress Report on the Northern Plains Nitrogen Fertilizer Production Facility

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From the President's Desk

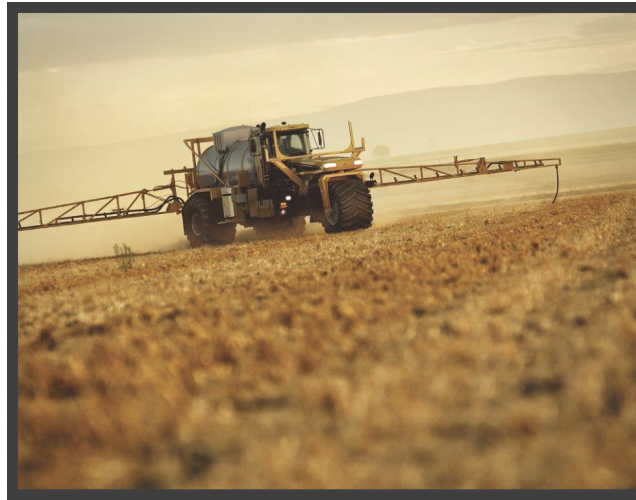
A belated Happy New Year to all our investors, partners and others who receive this regular update on the progress of Northern Plains Nitrogen.

The New Year is beginning with great opportunity, but also significant challenges. During 2014, we made huge progress in clearing many of the regulatory hurdles necessary to get the facility approved.

- NPN's core plan relies on using reclaimed water from the nearby Grand Forks' wastewater treatment plant (WWTP). The reclaimed water will conserve the region's supply of fresh water and reduce and prevent pollution.
- We conducted a comprehensive evaluation of whether the facility will have any material impact on operations at Grand Forks International Airport. The study has affirmed for the appropriate local and federal authorities that NPN's facility will be a good neighbor to the airport.
- A Phase 1 Environmental Site Assessment was completed last year with no concerns found. The project site plan design also was finalized last year.

There's progress on other permitting and regulatory issues as well. NPN is taking a thorough and responsible approach to the development of the facility

and addressing every issue thoughtfully. As a result, we continue to have an excellent working relationship with the city of Grand Forks and with other local and state authorities.



Urea-Ammonium Nitrate Application

(Photo courtesy of AGCO)

Even as we make progress on these business fronts, though, there is still much to be done. We remain hopeful that we will be able to break ground this year or next and that production will begin in 2018. Marketplace demand for nitrogen fertilizer remains high.

However, a reviving economy in the United States is adding to the cost of construction as the prices of materials and labor increase. A facility that was projected to cost less than \$2 billion when we announced the project in 2013 is now estimated at more than \$2 billion. As we have stated in other communications, we cannot complete the project without major new financial partners.

Securing major equity investors will continue to be our priority in 2015. We remain optimistic, but we also recognize that the capital market is highly competitive today.

We will continue to keep you informed of our progress through these newsletters and our recently revised website. If you haven't visited the site lately, take a look. You can find it at www.NorthernPlainsNitrogen.com

Sincerely,
Darin Anderson
Darin Anderson

Falling Oil Prices:

Is Good News for Consumers a Challenge for NPN?

Oil prices have fallen by half since the middle of last year and the future is uncertain. *The New York Times* recently reported that oil could fall to \$40 a barrel or less before it begins a slow recovery. According to *The Times*, “even optimists say \$70 a barrel by the end of the year is highly doubtful.”

For consumers in the U.S., it’s mostly a good news story. Households are expected to save an average of \$750 this year just in lower prices at the gas pump.

Domestic oil producers – including those operating in the Bakken and Three Forks shale fields in North Dakota – are affected. North Dakota produces nearly 1.2 million barrels of oil per day from more than 11,000 wells, according to Associated Press. A slowdown in oil production has given rise to questions about whether the amount of natural gas – the raw material for nitrogen fertilizer – will be diminished enough to affect plans for Northern Plains Nitrogen.

The short answer is, no. Here are the facts:

North Dakota produces abundant natural gas, even during down times. As

North Dakota Gov. Jack Dalrymple told an energy conference just a few months ago – when the collapsing price of oil was apparent – value-added energy businesses are the future of North Dakota’s economy. Currently, about one-third of the natural gas produced in the state is burned off, creating an adequate supply even during downturns in oil production. Taking advantage of the economic opportunities emerging from natural gas is a topic of focus for the North Dakota Legislature. According to the *Grand Forks Herald* (Jan. 13, 2015), “State economic development officials and a state senator said the bill aims to encourage the use of natural gas that has become abundant thanks to oil development in the western part of the state.

‘Even though oil is still an important part of the state, we need to continue to diversify’ the economy, said Sen. Rich Wardner, R-Dickinson, the chairman of the interim session’s Energy Development and Transmission Committee that supported the bill. Wardner said another of the proposal’s goals is to promote the use of an abundant supply of natural gas.”

Shale may be down, but it's not out. According to Associated Press, “If oil prices rise as expected in 2016, onshore oil production should climb again, and reach 9.5 million barrels per day, the second highest ever, after 1970’s record 9.6 million barrels.”

Location, Location, Location. NPN’s site is a huge advantage. The facility will be located 17 miles from the Viking Pipeline. This line runs north and south in Minnesota and feeds from a Canadian east/west pipeline, providing a dependable supply of natural gas.

Mayor: 'Grand Forks will be safer with NPN'

Northern Plains Nitrogen will set the standard for safety, building the most modern, state-of-the-art facility in the industry. In fact, Grand Forks Mayor Mike Brown recently said, “This city will be safer with the approval of [the Northern Plains Nitrogen] site.”

The fact is, nitrogen fertilizer will continue to be a vital part of domestic and worldwide food production. Today, that fertilizer often is transported over long distances. NPN’s location close to its customers and its access to safe transportation systems will help eliminate concerns arising from distribution. NPN will not be a storage facility. NPN’s commitment to safety is two-fold: build and run a completely safe plant with world-class technology and safety standards and work closely with retailers to make sure wherever NPN’s product goes, the same high safety standards are in place.

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